

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 12, 2004

H.R. 2443 Coast Guard and Maritime Transportation Act of 2004

As cleared by the Congress on July 22, 2004, and signed by the President on August 9, 2004

SUMMARY

H.R. 2443 (enacted as Public Law 108-293) expands the authority of the U.S. Coast Guard to spend amounts collected from existing user fees and similar charges. CBO estimates that the broader cost-recovery authority will increase direct spending by about \$2 million annually. The act could also result in lower future revenues by limiting the potential number of entities that the federal government may sue to recover damages from spills under the Oil Pollution Act, but CBO has no basis for estimating the amount or timing of such losses, if any. Finally, the act sets higher maximum levels for civil penalties imposed by the Coast Guard for violations of certain maritime laws, which CBO estimates will increase revenues by less than \$500,000 annually.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

CBO's estimate of the impact of H.R. 2443 on direct spending is shown in the following table. The costs of this legislation fall within budget function 400 (transportation).

	By Fiscal Year, in Millions of Dollars										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Estimated Budget Authority Estimated Outlays	0	2 2	2 2	2 2	2 2		2 2	2 2	2 2	2 2	2 2

BASIS OF ESTIMATE

H.R. 2443 allows the Coast Guard to spend more of the amounts that it currently collects from user fees and similar charges. Under previously enacted laws, the agency is authorized to spend a portion of such earnings to offset the cost of collecting those fees. The act broadens the definition of collection costs to include more indirect administrative elements such as fee-related equipment purchases and training and travel expenses. CBO estimates that the broader definition of reimbursable costs will enable the Coast Guard to retain about twice as much of its fees, resulting in new direct spending of about \$2 million annually. For this estimate, CBO assumes that the agency does not increase fee rates above those currently in effect.

H.R. 2443 also contains two provisions that could affect revenues. Those provisions are described below.

Recovery of Oil-Spill Expenditures

Title VII would amend the definitions of the terms "operator" and "owner" in the Oil Pollution Act of 1990 (OPA) to exclude secondary lenders (those without management participation) and state or local governments that involuntarily acquire control or ownership of a vessel or facility involved in an oil spill.

Under current law, such involuntary owners may be held responsible for spill response and cleanup costs and held liable for damages. By explicitly excluding those entities from the law's definitions, the act eliminates them as potentially responsible parties that the federal government could pursue to recover spill-related costs (including paying damage claims). Therefore, future recoveries (which are recorded in the federal budget as revenues) could be lower, but CBO has no basis for estimating any such impact because litigation brought against involuntary owners is rare. The federal government does not generally pursue those parties because it is usually not cost-effective to do so. In the past 12 years of litigation under OPA, the Coast Guard has recovered from only one secondary lender (about seven years after the spill), but the recovery was the highest in the program's history: \$47 million. There has been no similar litigation against a state or local government (in the status of an involuntary owner). Given this history, CBO expects that there would be few situations where the changes made by title VII might have an impact on revenues from spill recoveries.

Civil Penalties

The act also increases civil penalties for violations of various statutes enforced by the Coast Guard. CBO estimates that the enacted changes will increase federal revenues by less than \$500,000 annually.

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